Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

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CANADA: PRIMARY PROCESSING OF GRAINS AND OILSEEDS

Canada's primary processing capacity for grains and oilseeds, excluding primary processing of animal feed, has been expanding for the past few years. Most of that growth is attributed to expansions in corn processing, flour milling, and oilseed crushing. Currently, primary processing consumes about one-quarter of Canada's annual production of grains and oilseeds. This issue of the *Bi-weekly Bulletin* examines some of the changes that have occurred within Canada's primary processing industry since 2001-2002.

Background

Canada's agriculture and agri-food sector is important to its economic and social well-being. In 2004, the food manufacturing sector, of which primary processing represented a significant componet, contributed approximately $17 billion (G) to Canada's Gross Domestic Product (GDP). That same year, primary crop and animal production contributed $14G to Canada's GDP.

A survey of manufacturers which was conducted by Statistics Canada shows that Canada's food manufacturing sector contributed about 12% of Canada's total manufacturing sales for 2003. The food manufacturing sector ranks a distant second to the transportation equipment manufacturing sector, but it still ranks first in sales for 5 out of 10 Canadian provinces.

Canada's trade in agriculture and agri-food products has averaged $52G during the past few years. During this period, Canada exported about $30G in agriculture and agri-food products annually. Canada has maintained its competitive edge in world markets by adopting innovative agronomic practices, by diversifying into non-traditional crops, and by encouraging value-added activities.

Biofuels, specifically fuel ethanol and biodiesel, are generally produced from grains, oilseeds and animal fats.

CANADA: GRAINS AND OILSEEDS PROCESSING CAPACITY

	EASTERN CANADA			WESTERN CANADA			TOTAL CANADA [1]		
	tonnes per day of raw product								
	2001 -2002	2006 -2007	*Change*	2001 -2002	2006 -2007	*Change*	2001 -2002	2006 -2007	*Change*
Wheat Flour Milling	8,257	8,572	3.8%	4,143	4,675	12.8%	12,400	13,247	6.8%
Wheat-Other Processing [2]	400	400	0.0%	492	482	-2.0%	892	882	-1.1%
Durum Milling	1,006	1,064	5.8%	763	717	-6.0%	1,769	1,781	0.7%
Corn Processing	5,785	7,890	36.4%	530	555	4.7%	6,315	8,445	33.7%
Malting Industry	767	717	-6.5%	2,609	2,273	-12.9%	3,376	2,990	-11.4%
Oat Processing	390	260	-33.3%	1,795	2,014	12.2%	2,185	2,274	4.1%
Oilseeds Crushing	6,700	6,700	0.0%	9,075	10,920	20.3%	16,500	17,650	7.0%
Total	**23,305**	**25,603**	**9.9%**	**19,407**	**21,636**	**11.5%**	**43,437**	**47,269**	**8.8%**

[1] August-July crop year. Data for oilseed crushing include plants at undetermined locations, in which case regional numbers will not add up to the national total.

[2] Includes ethanol, beverage alcohol, starch, and gluten

Sources: Grain and Milling Annual, Ontario Corn Producers' Association, Canadian Oilseed Processors' Association, Canola Council of Canada, Canadian Wheat Board, and other industry sources.

Canada

Canada's biofuel sector provides Canadian farmers with an opportunity to share the benefits derived from this new market. As well, Canadian farmers, as key stakeholders, will have an opportunity to invest in this important value-added activity and contribute to its success. The Canadian government is working with other levels of government and the private sector to increase capacity for biomass-based plants in Canada. This commitment is a step toward a cleaner global environment as well as providing economic benefits for Canada's agriculture and agri-food sector.

Increasing value-added activities as a means of strengthening the agricultural sector continues to be a priority for Agriculture and Agri-Food Canada (AAFC). The Value Chain Roundtables, which have been held with major stakeholders over the past couple of years, are intended to help ensure that we have a strong and sustainable agricultural sector, one which will benefit all Canadians.

Canada's Primary Processing Sector

Between 2001-2002 and 2006-2007, the primary processing capacity for Canada's grains and oilseeds is expected to increase by about 9% due largely to increased capacity in corn processing, wheat milling, and oilseed crushing. There is, however, a notable decline in capacity expected for the malting barley sector.

In *western Canada*, primary processing capacity is expected to increase by about 12% as oilseed crushing, wheat milling, and oat processing expand by 20%, 13%, and 12%, respectively.

In *eastern Canada*, primary processing capacity is expected to increase by about 10%. The increase is due primarily to expanded capacity in corn processing, durum milling, and wheat milling, estimated at 36%, 6%, and 4%, respectively. However, capacities in the oat processing and malting barley sectors in eastern Canada are expected to decrease by 33% and 7%, respectively.

Wheat Flour Milling

Canada's flour milling industry (including durum) currently accounts for about 3.0 million tonnes (Mt) of Canada's annual wheat disposition. Of the total wheat milled annually, about 70% is Canadian Western Red Spring wheat, 15% is Ontario winter wheat, 10% is durum, and the remaining 5% is made up of other wheat classes.

Canada's flour milling industry grew fairly rapidly in previous decades but the rate of increase has since levelled off. Nevertheless, wheat milling capacity (excluding durum) is increasing from a record high of 12,400 tonnes per day (t/d) in 2001-2002, to an estimated 13,247 t/d for 2006-2007. In *western Canada*, wheat milling capacity is estimated to have increased by 13% since 2001-2002 versus 4% in eastern Canada.

The increase in Canadian wheat milling capacity is occurring despite the closure of some smaller, less efficient plants. For example, the Archer Daniels Midland Company (ADM) plant in Strathroy, Ontario (ON) has shut down, eliminating about 106 t of daily capacity. At the same time, the $30M Rogers Food plant in Chilliwack, British Columbia became operational in April 2005, with processing capacity of 332 t/d.

The wheat flour milling industry remains the second largest primary processing industry for Canadian grains and oilseeds.

Durum Milling

Some of Canada's durum milling capacity is categorized as "*swing*", plants that mill both durum and non-durum wheat. However, one must avoid double counting this capacity because a plant that is processing one of the two commodities (durum or non-durum) on a given day would not be able to process the other commodity during that same period.

Until November 2003, there were two *swing* plants in Canada, one of which is the now closed ADM plant in Strathroy, ON which had a daily capacity of 106 t/d. The other *swing* plant is the Robin Hood Multifoods plant in Saskatoon, Saskatchewan (SK), where capacity remains virtually unchanged at 453 t/d.

Canada's total durum milling capacity (including *swing*) is estimated at 1,781 t/d, up slightly from 1,769 t/d in 2001-2002. When swing capacity is excluded, durum milling capacity is shown to have actually increased by about 5%. Eastern Canada retains about 60% of Canada's durum milling capacity (including *swing*).

The federal government has committed to a 5% average renewable content requirement in Canadian transportation fuel by 2010. The three federal ministers of Environment, Natural Resources, and Agriculture and Agri-Food, in consultation with provincial and territorial ministers, are working together to increase production of biofuels to help meet the target.

Wheat-Other Processing

Canada's daily capacity for the production of wheat-based ethanol and beverage alcohol remains relatively unchanged from 2001-2002, but there are several ethanol plants either in the planning stage or currently under construction. For example, Husky Energy Inc. of Calgary, Alberta (AB) announced in October 2005 that it will proceed with the construction of a $145M plant on its existing site in Minnedosa, Manitoba (MB). The new plant will replace the current plant which produces about 10 million litres (ML) of ethanol annually and is expected to be fully operational by mid-2007. The

WHEAT FLOUR MILLING

COMPANY	OWNERSHIP	LOCATION	PRODUCTS	capacity (t/d of raw product) 2001 -2002	2006 -2007
EASTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Montreal, QC	WF, WWF	1167	1339
ADM Milling	Archer Daniels Midland (USA)	Montreal, QC	WF, WWF	502	507
ADM Milling	Archer Daniels Midland (USA)	Midland, ON	WF, WWF	726	725
ADM Milling	Archer Daniels Midland (USA)	Mississauga, ON	WF	423	375
ADM Milling	Archer Daniels Midland (USA)	Strathroy, ON	SWF	106	n/a
ADM Milling	Archer Daniels Midland (USA)	Port Colbourne, ON	WWF, SWF,WWF	865	840
Arva Flour Mills	Independent (CAN)	Arva, ON	SWF, WWF, RF	18	19
Cereal Foods	Cereal Food Processors (USA)	Montreal, QC	WF, WWF	212	215
Dover Mills	Dover Industries (CAN)	Halifax, NS	WF	357	436
Dover Mills	Dover Industries (CAN)	Cambridge, ON	WF	628	629
Golden Gate Mills	Independent (CAN)	Brantford, ON	WWF	n/a	48
Grain Processing	Independent (CAN)	Scarborough, ON	SWF	n/a	40
Halton Flour Mills	Dover Industries (CAN)	Acton, ON	WF	234	251
Hayhoe Mills	Independent (CAN)	Woodbridge, ON	WF, SWF, WWF	302	303
Kraft Milling	Kraft Foods (USA)	Streetsville, ON	SWF, WF	514	515
New-Life Mills	Parrish and Heimbecker (CAN)	Hanover, ON	WF, SWF	454	453
Port Royal Mills	Independent (CAN)	Aurora, ON	WWF	48	48
Robin Hood Multifoods	International Multifoods (USA)	Montreal, QC	WF	758	997
Robin Hood Multifoods	International Multifoods (USA)	Port Colbourne, ON	WF	800	797
Other	Independent (CAN)	various	WF	143	36
Subtotal				**8,257**	**8,572**
WESTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Winnipeg, MB	WF, SWF, WWF	200	193
ADM Milling	Archer Daniels Midland (USA)	Medicine Hat, AB	WF	514	496
ADM Milling	Archer Daniels Midland (USA)	Calgary, AB	WF, SWF,WWF	956	925
Ellison Milling	Parrish and Heimbecker (CAN)	Lethbridge, AB	WF, WWF, RF	333	453
Dawn Foods	Dawn Foods (USA)	Saskatoon, SK	WF	375	375
Dawn Foods	Dawn Foods (USA)	Humboldt, SK	WF	30	31
FarmGro Organic Food	Independent (CAN)	Regina, SK	WF	73	n/a
Patterson Global Foods	NutraSun Foods	Regina, SK	WF	n/a	72
Permolex (API)	Independent (CAN)	Red Deer, AB	WF	380	360
Prairie Flour Mills	Independent (CAN)	Elie, MB	WF	181	241
Robin Hood Multifoods	International Multifoods (USA)	Saskatoon, SK	WF, SWF, WWF	847	847
Rogers Foods	Nisshin Flour Milling Co.	Armstrong, BC	WF, RF, WWF	216	293
Rogers Foods	Nisshin Flour Milling Co.	Chilliwack, BC	WF, RF, WWF	n/a	332
Schroeder Milling	Independent (CAN)	Camrose, AB	WF	33	31
Other	Independent (CAN)	various	WF	5	25
Subtotal				**4,143**	**4,675**
Total				**12,400**	**13,247**

WHEAT-OTHER PROCESSING*

EASTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Candiac, QC	gluten, starch	400	400
WESTERN CANADA					
API Grain Processors (Permolex)	Independent (CAN)	Red Deer, AB	ethanol, flour gluten	275	275
Highwood Distillers	Independent (CAN)	High River, AB	beverage alcohol	40	30
Husky Energy Inc.	Husky Energy Inc. (CAN)	Minnedosa, MB	ethanol	77	77
Pound-Maker Agventures	Investments (CAN)	Lanigan, SK	ethanol	100	100
Subtotal				**492**	**482**
Total				**892**	**882**

DURUM MILLING

EASTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Montreal, QC	durum products	266	267
ADM Milling	Archer Daniels Midland (USA)	Port Colbourne, ON	durum products	79	72
Howson & Howson	Independent (CAN)	Blyth, ON	durum products	363	399
Kraft Milling	Primo Foods (USA)	Woodbridge, ON	durum products	272	272
Others	Independent (CAN)	various	durum products	26	55
Subtotal				**1,006**	**1,064**
WESTERN CANADA					
Ellison Milling	Parrish and Heimbecker (CAN)	Lethbridge, AB	durum products	236	236
FarmGro Organic Food	Independent (CAN)	Regina, SK	durum products	73	n/a
Robin Hood Multifoods	International Multifoods (USA)	Saskatoon, SK	durum products	454	453
Other	Independent (CAN)	various		n/a	28
Subtotal				**763**	**717**
Total				**1,769**	**1,781**

Note: (WF) wheat flour, (WWF) whole wheat flour, (SWF) soft wheat flour, (RF) rye flour

* Includes ethanol, beverage alcohol, starch, and gluten

n/a: not available

Source: Milling and Baking Annual, Bakers Journal, AAFC and industry estimates

CORN PROCESSING

COMPANY	OWNERSHIP	LOCATION	PRODUCTS	capacity (t/d of raw product) 2001 -2002	2006 -2007
EASTERN CANADA					
Commercial Alcohols	Independent (CAN)	Tiverton, ON	ethanol	150	170
Commercial Alcohols	Independent (CAN)	Chathan, ON	ethanol	990	1,100
Powerstream Corp.	National Starch (USA)	Collingwood, ON	ethanol	n/a	400
Suncor Energy	Suncor Energy (USA)	Sarnia, ON	ethanol	n/a	1,450
Subtotal				**1,140**	**3,120**
Canadian Mist Distillers	Brown Foreman (USA)	Collingwood, ON	beverage alcohol	105	110
Hiram Walker	Allied Domecq Spirit & Wine (UK)	Windsor, ON	beverage alcohol	50	50
Seagram	Pernod Ricard (France)	Amherstburg, ON	beverage alcohol	45	45
Schenley Distilling Inc.	Constellation Co (USA)	Valleyfield, QC	beverage alcohol	230	255
Subtotal				**430**	**460**
Casco Inc.	Corn Products Int'l Inc. (USA)	London, ON	corn starch, sweeteners	1,600	1,600
Casco Inc.	Corn Products Int'l Inc. (USA)	Port Colbourne, ON	corn starch, sweeteners	1,000	1,300
Casco Inc.	Corn Products Int'l Inc. (USA)	Cardinal, ON	corn starch	1,250	1,300
King Milling	Lauhoff (Swiss)	Chatham, ON	BG, CF, CM	110	110
Nacan	National Starch (USA)*	Collingwood, ON	corn starch, sweeteners	255	n/a
Subtotal*				**4,215**	**4,310**
Total Eastern Canada				**5,785**	**7,890**
WESTERN CANADA					
Alberta Distillers	Jim Beam Brands Inc (USA)	Calgary, AB	beverage alcohol	175	175
Black Velvet Distilling Co	Constellation Co (USA)	Lethbridge, AB	beverage alcohol	140	140
Diageo	Pernod Ricard (France)	Gimli, MB	beverage alcohol	215	240
Subtotal				**530**	**555**
Total				**6,315**	**8,445**

MALTING INDUSTRY

EASTERN CANADA					
Canada Malting	Tiger Oats (South Africa)	Montreal, QC	barley malt	292	292
Canada Malting	Tiger Oats (South Africa)	Thunder Bay, ON	barley malt	475	425
Subtotal				**767**	**717**
WESTERN CANADA					
Canada Malting	Tiger Oats (South Africa)	Calgary, AB	barley malt	950	840
IMC Canada (Dominion)	Sumitorno (Japan) and IMC (USA)	Winnipeg, MB	barley malt	314	314
Gambrinus Malting	Independent (CAN)	Armstrong, BC	barley malt	30	30
Prairie Malt	SWP and Cargill (CAN, USA)	Biggar, SK	barley malt	804	602
Rahr Malting (USA)	Rahr Malting (USA)	Alix, AB	barley malt	511	487
Subtotal				**2,609**	**2,273**
Total				**3,376**	**2,990**

OAT PROCESSING

EASTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Midland, ON	oat flour, oat products	165	**
Quaker Oats	Quaker Oats (USA)	Peterborough, ON	oat flour, oat products	165	200
Smucker Foods	International Multifoods (USA)	Port Colbourne, ON	oat flour	60	60
Subtotal				**390**	**260**
WESTERN CANADA					
Alberta Oats Ltd	Independent (CAN)	Edmonton, AB	oat products	331	350
Can-Oat Milling	SWP (CAN)	Portage la Prairie, MB	oat flour, oat products	350	350
Can-Oat Milling	SWP (CAN)	Saskatoon, SK	oat flour, oat products	550	550
Emerson Milling	Independent (CAN)	Emerson, MB	oat flour, oat products	100	150
Popowich Milling	Grain Millers (USA)	Yorkton, SK	oat flour, oat products	250	400
Smucker Foods	International Multifoods (USA)	Saskatoon, SK	oat flour	124	124
Westglen Milling	ConAgra (USA)	Barrhead, AB	oat flour, oat products	90	90
Subtotal				**1795**	**2014**
Total				**2185**	**2274**

OILSEEDS CRUSHING

EASTERN CANADA					
ADM Agri-Industries Company	Archer Daniels Midland (USA)	Windsor, ON	soybeans, canola	3,600	3,600
Bunge Canada	Bunge North America	Hamilton, ON	soybeans	3,000	3,000
Sunfield Oilseeds*	Independent (CAN)	Wingham, ON	soybeans	100	100
Subtotal				**6,700**	**6,700**
WESTERN CANADA					
ADM Agri-Industries Company	Archer Daniels Midland (USA)	Lloydminister, AB	canola	2,000	2,000
Associated Proteins LP	Independent (CAN)	Ste. Agathe, MB	canola	n/a	1,000
Bunge Canada	Bunge North America	Altona, MB	canola, flax	1,000	1,100
Bunge Canada	Bunge North America	Nipawin, SK	canola	1,000	1,000
Bunge Canada	Bunge North America	Fort Sask., AB	canola	700	700
Bunge Canada	Bunge North America	Harrowby, MB	canola	1,400	1,400
Cargill Ltd.	Cargill, USA	Clavet, SK	canola	2,000	2,400
Canbra Foods Ltd.	JRI International	Lethbridge, AB	canola	975	1,120
Jordan Mills	Independent (CAN)	Carman, MB	soybeans	n/a	200
Subtotal				**9,075**	**10,920**
Other	Independent (CAN)	various		725	30
Total				**16,500**	**17,650**

Note: (BG) brewers grit (CF) corn flour, (CM) corn meal, (CS) corn starch
n/a: not available
* the recently closed National Starch plant in Collingwood is being converted to ethanol production
** plant closed
Source: Milling and Baking Annual, Bakers Journal, AAFC and industry estimates

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

June 12, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	June 12, 2006	FOB	143.00	N/A	137.00	144.00		256.00	152.00	102.00		1025.00	520.00					385.00
BC (4) (7)	June 5, 2006		143.00	N/A	137.00	148.50		269.50	160.00	100.00		1025.00	520.00					385.00
Calgary	June 12, 2006	FOB	113.00	N/A	111.00	133.00		249.50			125.00	1050.00	430.00					390.00
AB (4)	June 5, 2006		113.00	N/A	111.00	140.00		259.50			115.00	1000.00	430.00					390.00
Saskatoon	June 12, 2006	FOB	104.50	135.00	91.50	123.00		255.50	N/A		135.00	N/A	430.00			120.67		420.00
SK (4)	June 5, 2006		104.50	137.50	92.50	127.00		265.00	N/A		125.00	N/A	430.00			122.00		420.00
Winnipeg	June 12, 2006	FOB	146.00	140.00	113.00	120.00		240.50	N/A		260.00	1087.50	515.00					380.00
MB (4) (9)	June 5, 2006		143.50	140.00	113.50	122.00		249.00	N/A		260.00	1087.50	515.00					380.00
Thunder Bay	June 12, 2006	In-Store	137.50	N/A	107.50													
ON (8)	June 5, 2006		136.75	N/A	106.55													
Lake Ports	June 12, 2006	On Board				107.66												
USA (3)	June 5, 2006	Vessel				115.21												
Bay Ports	June 12, 2006	In-Store	163.00	210.00	132.00													
ON	June 5, 2006		162.75	210.00	132.00													
Chatham	June 12, 2006	Track				105.06												
ON	June 5, 2006					118.73												
Toronto	June 12, 2006	N/A					FOB				171.00		405.00	N/A	N/A		268.00	330.00
ON (5)	June 5, 2006										171.00		405.00	N/A	N/A		285.00	330.00
Hamilton	June 12, 2006	N/A						227.74	N/A									
ON	June 5, 2006							238.54	N/A									
Eastern	June 12, 2006	FOB				103.91												
ON	June 5, 2006					112.00												
London	June 12, 2006	FOB												340.00	75.00			
ON	June 5, 2006													345.00	80.00			
Port Colborne	June 12, 2006	FOB								50.00				340.00	75.00			
ON	June 5, 2006									49.50				345.00	80.00			
Cardinal	June 12, 2006	FOB												345.00	90.00			
ON	June 5, 2006													350.00	95.00			
Montreal	June 12, 2006		165.00	155.00	147.00	125.00		248.77	183.23	80.00	175.00	850.00	401.50	N/A	N/A		270.00	360.00
QC (5)	June 5, 2006		165.00	155.00	147.00	134.00	FOB	251.69	185.73	83.33	175.00	850.00	401.50	N/A	N/A		270.00	350.00
Trois-Rivières	June 12, 2006	In-Store	171.00		144.40	115.74												
QC	June 5, 2006		174.00		143.40	133.61												
St. Jean QC (2)	June 12, 2006	FOB	151.25	136.25	135.35	122.91		245.00										
St. Hyacinthe QC	June 5, 2006		150.25	136.75	135.35	128.24		247.56										
Quebec	June 12, 2006	In-Store	167.00	N/A	164.86	128.33		247.41	198.90									
QC	June 5, 2006		167.67	N/A	164.11	133.87		253.20	206.87									
Truro	June 12, 2006	Track	200.94	0.00	167.40	164.94		286.64	200.81		233.10		532.00					360.00
NS	June 5, 2006		202.71	0.00	167.40	161.38	FOB	274.03	200.81		233.10		532.00					350.00
Truro	June 12, 2006	Water	N/A	N/A	N/A	N/A												
NS	June 5, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	June 12, 2006	In-Store	181.95	N/A	N/A	164.45		297.80	242.95	297.50		0.00						
NS (6)	June 5, 2006		185.70	N/A	N/A	164.10		291.75	232.25	297.50		0.00						

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US$1.00 = CAN$ 1.1072

Closing date June 9/2006

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N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 12, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 12-Jun-06	Last week 29-May-06	Month ago 15-May-06	Year Ago 13-Jun-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	137.00	136.00	132.00	107.00
(CBOT)		Oat	186.50	180.20	197.60	142.75
(Lethbridge)		Barley	107.00	107.00	113.00	115.00
To: Bayport, ON (1)	In-store	Wheat	160.61	159.61	155.61	130.61
		Oat	N/A	N/A	N/A	N/A
		Barley	134.39	134.39	140.39	142.39
Montreal, QC (1)	In-store	Wheat	165.03	164.03	160.03	135.03
		Oat	N/A	N/A	N/A	N/A
		Barley	139.31	139.31	145.31	147.31
Moncton, NB	Truck via Halifax	Wheat	187.25	186.25	182.25	157.25
		Oat	N/A	N/A	N/A	N/A
		Barley	163.50	163.50	169.50	171.50
Truro, NS	Truck via Halifax	Wheat	181.22	180.22	176.22	151.22
		Oat	N/A	N/A	N/A	N/A
		Barley	161.00	161.00	167.00	169.00
Halifax, NS (1)	In-store	Wheat	172.28	171.28	167.28	142.28
		Oat	N/A	N/A	N/A	N/A
		Barley	147.30	147.30	153.30	155.30
Stephenville, NL	Track / Truck via Sydney	Wheat	235.63	234.63	230.63	205.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 12-Jun-06	Last Week 29-May-06	Month Ago 15-May-06	Year Ago 13-Jun-05
Corn						
From: US Lake Port	On Board Vessel		107.66	112.03	115.21	102.30
To: Montreal, QC (1)	In-store		126.70	131.07	134.25	121.34
From: Chicago (IL)	Track		104.18	110.72	113.46	105.25
To: Montreal, QC	Track		133.04	139.58	142.32	134.11
From: Chatham, ON	Track		105.06	115.60	118.73	110.17
To: Montreal, QC	Track		128.93	139.47	142.60	134.04
Soymeal 48% Protein						
From: Hamilton, ON			227.74	232.92	238.54	233.97
To: Montreal, QC	Track		252.07	257.25	262.87	258.30
Moncton, NB	Track		270.82	276.00	281.62	277.05
Truro, NS	Track		274.04	279.22	284.84	280.27
Stephenville, NL	Track / Truck via Sydney		322.67	327.85	333.47	328.90

1. Prices include ONE month of storage and interest charges
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

n/a = not available

Source: Market Analysis Division, Agriculture and Agri-Food Canada
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Footnotes: All prices quoted in Canadian dollars per metric tonne.
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

new plant will use about 350,000 t of wheat to produce 130 ML of ethanol annually. Husky Energy is also building an ethanol plant in Lloydminster, AB with approximately the same expected output as the Minnedosa plant and the plant is scheduled to open in the latter part of 2006. About 250,000 t of dry distillers grain will be produced as a by-product and is expected to be marketed to livestock in western Canada.

The ADM Agri-Industries Company plant, located in Candiac, QC produces gluten and starch from wheat. The daily capacity at this plant is about 400 t/d, unchanged from 2001-2002.

The Ethanol Expansion Program (EEP) and Other Initiatives

The EEP was announced on August 12, 2003, as part of Canada's climate change plan. It is contributing to the expansion of fuel ethanol production and use in Canada and the reduction of transportation-related greenhouse gas (GHG) emissions that contribute to climate change. The program is designed to increase the proportion of our gasoline that is blended with ethanol. The EEP is providing contributions toward the construction of new, or the expansion of existing, fuel ethanol production facilities in Canada.

Saskatchewan has mandated the use of ethanol-blended fuel, beginning in 2005. Under its *Ethanol Fuel Grant Program*, the province provides a 15 cent per litre (¢/L) grant to distributors who blend ethanol within Saskatchewan. In addition to the Husky Energy facility planned for Lloyminster, SK, NorAmera BioEnergy Corporation has announced a 25 ML plant in Weyburn, SK. Both plants will be using wheat as feedstock for ethanol production.

North West Terminal Ltd. (NWT), a farmer-shareholder owned grain terminal located in Unity, SK is moving ahead with plans to build an ethanol facility. The plans call for the construction of a facility capable of producing up to 25 ML of ethanol per year using about 68,000 t of feedstock. The cost of the plant is estimated at $34M and the plant is expected to be operational by the fall of 2008. The ethanol facility will operate under a newly formed company called North West BioEnergy Ltd., a wholly owned subsidiary of NWT.

Prospects for increased ethanol production in Canada continue to improve as stakeholders come forward with innovative ideas for enhancing the feasibility of ethanol production. The Saskatchewan government and the Saskatchewan Ethanol Development Council have announced a study to determine the feasibility of integrating ethanol production with local feedlot operations. The group contends that using the distiller's grains from a small ethanol plant at an adjoining feedlot eliminates prohibitive drying costs and allows some of the smaller ethanol plants to compete with the big stand-alone facilities. The project offers a glimpse of future projects that might involve renewable energy sources such as ethanol produced from Prairie grains.

Biodiesel Production in Canada

The development of biodiesel in the US and European Union (EU) has increased rapidly as biodiesel has been widely recognized and encouraged as a viable alternative to petroleum-based fuel. In fact, about half of the rapeseed crushed at ADM's plants in the EU is for use in biodiesel.

According to the Canola Council of Canada, Canada's biodiesel sector would benefit greatly from the following: an equivalency to the United States (US) programs that equates to about 30¢/L on virgin oils; a mandated biodiesel inclusion rate of 5% by 2015; and quality standards that take into account Canada's climatic conditions.

Recent discussions regarding the merits of biodiesel for helping Canada reduce greenhouse gases have improved prospects for the domestic oilseeds sector. Canola oil, as a component of biodiesel, is being touted as a logical choice for this application. Although other vegoils, rendered animal fat, and spent restaurant grease can also be adapted to biodiesel production, proponents argue that canola oil performs better in cold weather and that steadily increasing canola yields are improving the economic feasibility of using canola oil for producing biodiesel.

Canada has established a goal of 500 ML of biodiesel production by 2010. The Canadian Bioenergy Corporation estimates that mandating a 2% biodiesel blend would require about 1.25 Mt of canola seed, or 2.5 Mt of soybeans due to lower oil content. In 2005-2006, Canada produced a record 9.7 Mt of canola, of which 5.0 Mt was exported in seed form. Similarly, a record soybean crop of 3.2 Mt was produced in 2005-2006, of which 1.3 Mt will be exported in seed form. Canada's role in the export market for these commodities could decrease significantly as the production of biodiesel develops. However, unlike the US and the EU, Canada is a net exporter of petroleum and petroleum products, so the rationale for increasing biodiesel production, and the incentives necessary to do so, have to be examined from a very different perspective.

Canada appears to have the production base to support the mandated level of biodiesel production. However, in the US and EU, government incentives have provided some of the business incentives necessary for biodiesel development. Similar incentives may be required in Canada. Increased production of biodiesel from canola and soybeans will help reduce greenhouse gases.

Oilseeds Processing

Canada's oilseed processing capacity is expected to increase by about 7%, to 17,650 t/d. The increase would be almost exclusively in western Canada where existing plants are expanding capacity and a previously idled plant in Ste. Agathe, MB is being put into service. Oilseed processing capacity in eastern Canada is virtually unchanged from five years ago.

AAFC forecasts total oilseed crush for 2006-2007 at 5.2 Mt, up from 4.0 Mt in 2001-2002. The increase in the amount of oilseeds crushed annually is due primarily to increased canola crushing, estimated to have risen by 50% since 2001-2002.

Corn Processing

Canada's corn processing capacity is expected to increase by about 34%, to 8,445 t/d. The increase is due largely to expansion in corn milling and fuel ethanol production. In *western Canada*, increased processing capacity is largely due to expanded capacity at the Diageo plant in Gimli, MB. In *eastern Canada*, expanded fuel ethanol capacity at the Commercial Alcohols plant in Chatham, ON, and expansions at the two beverage alcohol facilities (Canadian Mist Distillers in Collingwood, ON, and Schenley Distilling Co. in Valleyfield, QC) will offset lost capacity due to the closure of Nacan Products Limited's corn milling plant in Collingwood, ON . It must be noted, however, that the Nacan plant is currently being converted to ethanol production. In addition, Suncor Energy's ethanol plant, which would use about 1,450 t/d of corn, is expected to become fully operational in 2006.

Malting Barley

Canada's malting capacity is expected to decrease by about 10%, to 2,990 t/d. The decrease in malting capacity is attributed to a steadily declining domestic market for beer and reduced prospects for exports of barley malt.

Reduced beer consumption in Canada is reflective of an aging population and changes in consumption patterns. In addition to the lower per capita consumption of beer normally associated with an aging population, Canadians are consuming more imported beers, which reduces domestic demand for barley malt. As well, there has been significant growth in the discounted beer market which typically uses less barley malt in the production process.

For the last 20 years, Canada's share of the export market for barley malt has trended upward. More recently, that trend seems to have temporarily reversed. For example, exports of barley malt to Japan have been negatively affected by increased consumption of low-malt and no-malt beer beverages.

Canada's malting industry processes about 1.0 Mt of malting barley annually, of which about 270,000 t is for the domestic beer industry. More than three-quarters of Canada's malting capacity is located in western Canada. Canada Malting, with its plants in Montreal, QC, Thunder Bay, ON and Calgary, AB remains the single largest maltster in Canada, processing just over half of the barley malt produced in Canada. The second largest maltster is Prairie Malt in Biggar, SK, followed by Rahr Malting in Alix, AB and the IMC Canada (Dominion Malting) plant in Winnipeg.

Oat Processing

Canada's oat processing sector has experienced marginal growth in recent years, despite the closure of the ADM Agri-Industries Company plant in Midland, ON. Oat processing plants in western Canada now account for about 90% of total capacity, versus 80% in 2001-2002.

The largest increases in oat milling capacity during the past five years have been at the Popowich Milling Ltd. plant in Yorkton, SK, and Emerson Milling Inc. in Emerson, MB, which have increased capacity by 60% and 50%, respectively. Can-Oat Milling in Portage la Prairie, MB is expanding processing capacity by 50,000 t, or 150 t/d, to be completed by February 2007. Capacity at The Quaker Oats Company of Canada Limited plant in Peterborough, ON has also increased about 20% since 2001-2002.

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